

# S&P Global US Manufacturing PMI<sup>®</sup>

## Factory employment falls at sharper pace as manufacturing downturn deepens

Sharpest fall in new orders since June 2023

Job shedding intensifies

Output price inflation quickens despite slower rise

The US manufacturing sector moved deeper into contraction territory at the end of the third quarter of the year.

Output and new orders both fell at sharper rates in September amid demand weakness and political uncertainty. Meanwhile, employment decreased at the strongest pace since the start of 2010 if the COVID-19 pandemic period is excluded. More positively, business confidence ticked higher amid optimism that new business will pick up following the Presidential Election.

Meanwhile, the rate of input cost inflation softened but remained marked, and firms increased their selling prices at the fastest pace since April.

The seasonally adjusted S&P Global US Manufacturing Purchasing Managers' Index™ (PMI<sup>®</sup>) remained below the 50.0 no-change mark in September, dipping to 47.3 from 47.9 in August. The index signaled a third consecutive monthly worsening in the health of the sector, and one that was the most pronounced since June 2023.

Central to the deterioration in business conditions was a sharply worsening demand environment amid a slowdown in the wider economy and uncertainty around the upcoming Presidential Election.

New orders decreased for the third month running, with the rate of contraction the sharpest in 15 months. New export orders were also down to a larger extent than in August, as geopolitical issues and demand weakness (notably in Europe) led to a fourth consecutive decline.

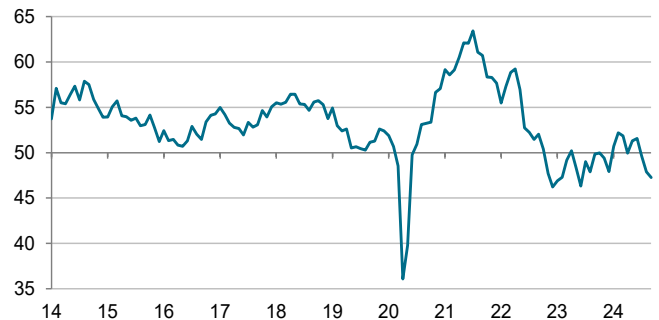
With new orders continuing to fall, manufacturers scaled back their production for the second month running. The pace of decline was modest, yet the fastest since June 2023.

Firms also reduced employment for the second consecutive month in September. The fall in staffing levels was the steepest since January 2010 if the initial pandemic period in 2020 is excluded.

Manufacturing output decreased less quickly than new orders as firms worked through outstanding business and added to holdings of finished goods. The resulting drop in backlogs of work was the largest since January, while post-production inventories were accumulated for the third month running.

Meanwhile, a sharp and accelerated contraction in purchasing activity was recorded amid lower output requirements, with

S&P Global US Manufacturing PMI  
Index, sa, >50 = improvement m/m



Data compiled 12-25 September 2024.  
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### Comment

Chris Williamson, Chief Business Economist at S&P Global Market Intelligence

“The September PMI survey brings a whole slew of disappointing economic indicators regarding the health of the US economy. Factories reported the largest monthly drop in production for 15 months in response to a slump in new orders, in turn driving further reductions in employment and input buying as producers scaled back operating capacity.

“However, companies are sensing that at least part of the drop in demand is likely to be temporary, as spending, investment and inventory building have been paused in many cases amid the uncertainty caused by the Presidential Election. The prospect of lower interest rates has meanwhile raised confidence in the longer-term outlook, with firms anticipating that demand will be rekindled by lower borrowing costs if the political environment improves. Hence, despite the deterioration in the current business situation, business expectations about the year ahead have in fact improved.

“While the current weak demand environment has helped keep cost pressures low in the manufacturing sector, the potential for geopolitical events to drive energy prices higher alongside possible spikes in shipping prices poses upside risks to the inflation picture.”

the latest fall in input buying the most marked in 2024 so far. This fed through to a further reduction in stocks of inputs, albeit one that was only marginal as some firms looked to build inventories ahead of expected improvements in demand heading into next year.

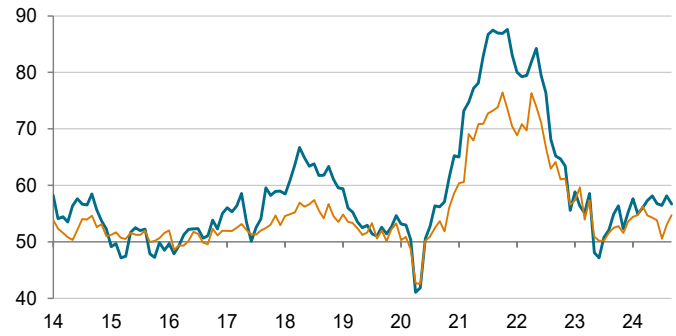
A further decline in demand for inputs meant that suppliers were able to speed up deliveries for the second month running in September, with the rate of improvement in vendor performance broadly in line with that seen in August.

Manufacturers continued to be faced with sharply rising input prices. Higher costs for raw materials such as cardboard and paper were accompanied by reports of higher shipping rates. The pace of inflation eased slightly from the previous month, however.

In contrast to the picture for input costs, the pace of output price inflation quickened, reaching the highest since April.

Firms were generally optimistic that output will increase over the coming year, with confidence often due to expectations that demand will improve following the Presidential Election. Lower interest rates also supported confidence, which ticked up to a four-month high but remained a touch weaker than the series trend.

■ PMI Input Prices ■ PMI Output Prices  
Index, sa, >50 = inflation m/m



Source: S&P Global PMI. ©2024 S&P Global.

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## Methodology

The S&P Global US Manufacturing PMI® is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 600 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in May 2007.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact [economics@spglobal.com](mailto:economics@spglobal.com).

## PMI by S&P Global

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